

TSUMURA & CO.

TSUMURA & CO. Business Results for Fiscal 2015

May 13, 2016

President, Representative Director

Terukazu Kato



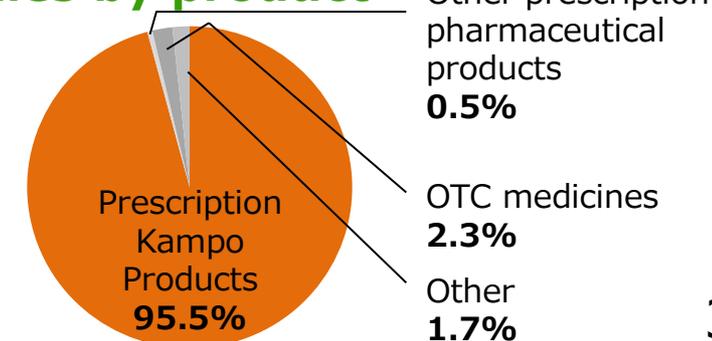
Business Results for Fiscal 2015

Consolidated Performance for Fiscal 2015

(¥ million)

	FY 2015 Plan	FY 2015	Achieve ment	FY 2014	Vs. FY 2014	
					Amount	Change
Net sales	113,000	112,625	99.7%	110,438	2,186	2.0%
Cost of sales Cost of sales margin	46,000 (40.7%)	45,055 (40.0%)	97.9%	41,859 (37.9%)	3,196	7.6%
Gross profit Gross profit margin	67,000 (59.3%)	67,569 (60.0%)	100.9%	68,578 (62.1%)	-1,009	-1.5%
SG&A expenses SG&A expenses margin	49,000 (43.4%)	47,743 (42.4%)	97.4%	49,087 (44.4%)	-1,343	-2.7%
Operating profit Operating profit margin	18,000 (15.9%)	19,826 (17.6%)	110.1%	19,491 (17.6%)	334	1.7%
Ordinary income	18,300	19,494	106.5%	21,583	-2,089	-9.7%
Net income attributable to owners of parent	12,200	12,557	102.9%	14,075	-1,517	-10.8%

Sales by product



	FY 2015 Plan	FY 2015	FY 2014
E P S	¥173	¥178	¥199
R O E	8.0%	8.3%	10.1%

Key Points in Performance

- Sales increased, reflecting the steady sales of Kampo products. Despite the increase in crude drug prices, consolidated operating profit rose, due in part to cost controls.

Consolidated net sales **¥112,625 million** Vs. planned **99.7%** YoY **2.0%**

- Consolidated net sales increased 2.0% year on year, partly because of the steady sales of Kampo formulation for prescription. The rate of achievement of the plan ended at 99.7%.
- Total sales of the 5 drug-fostering formulations
(Daikenchuto, Rikkunshito, Yokukansan, Goshajinkigan and Hangeshashinto) Sales growth rate : 2.1%
- Total sales of the 77 products with differentiated approaches by disorder and symptom.
(Started in April 2015, added in July, and excludes five drug-fostering products.) Sales growth rate : 2.6%

Operating profit **¥19,826 million** Vs. planned **110.1%** YoY **1.7%**

Operating profit margin **17.6 %** YoY **0pt**

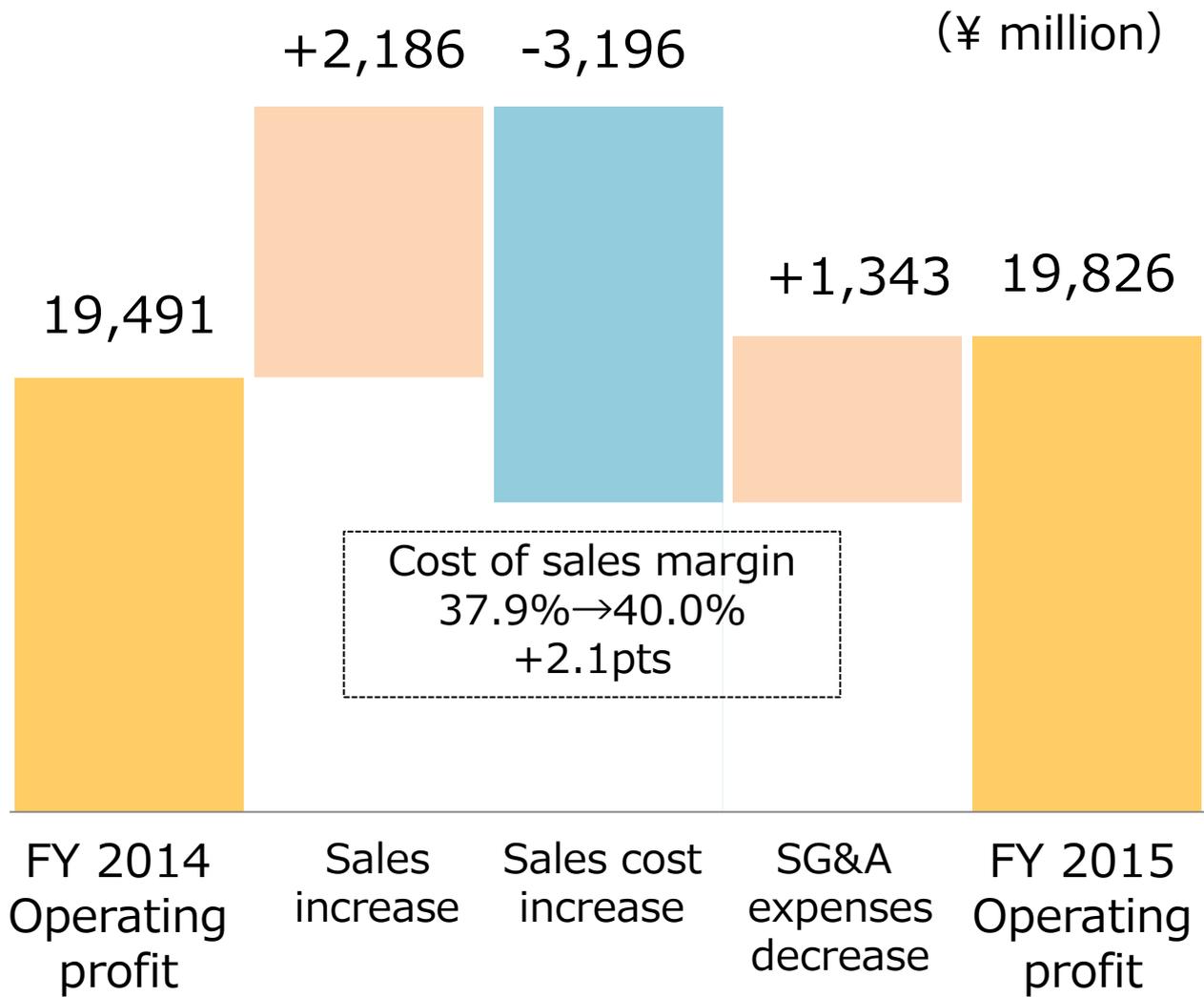
- The cost of sales ratio was 40.0%. It rose 2.1 percentage points year on year, mainly reflecting the increase in crude drug costs. The cost of sales ratio fell 0.7 percentage points of the target, mainly reflecting the processing costs control.
- The SG&A ratio fell 2.0 percentage points year on year to 42.4%, partially reflecting the cost controls that accompanied improvements in operational efficiency.
Including the above factor, the SG&A ratio was lower by 1.0 percentage point of the target.

Ordinary income **¥19,494 million** Vs. planned **106.5%** YoY **-9.7%**

Net income attributable to owners of parent **¥12,557 million** Vs. planned **102.9%** YoY **-10.8%**

Factors in Increase / Decrease of Operating Profit

(¥ million)



Factors of Sales increase

Prescription Kampo 129 products	+2,405
Other	-219

Factors of Cost of sales margin

Increase in crude drug cost	+2.6pts
Effect of processing cost control	-0.7pts
Other	+0.2pts

Factors in decrease of SG&A expenses

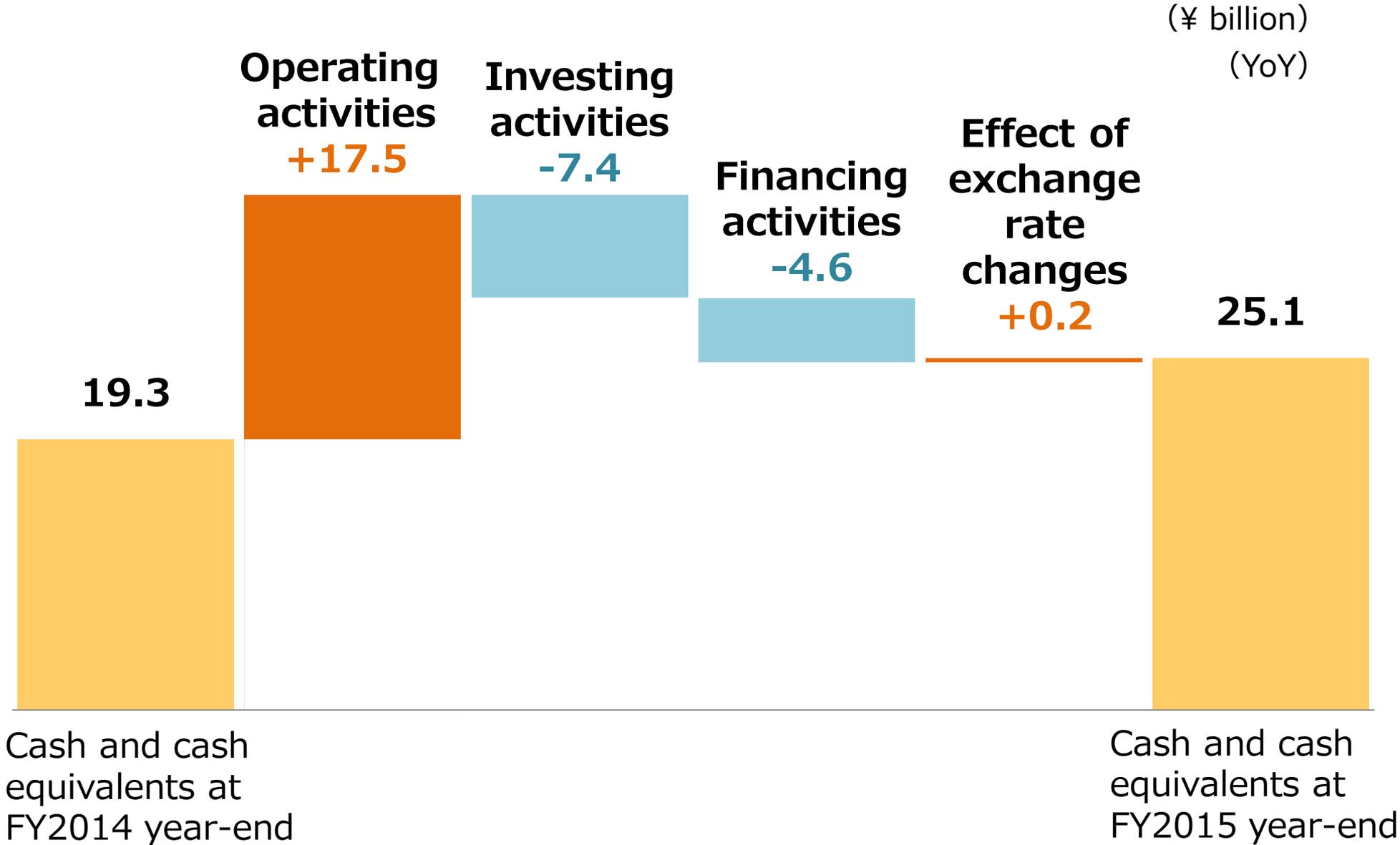
Sales promotion expenses	-217
R&D expenses	-284
Advertising expenses	-129
Personnel expenses	-344
Other	-367

Analysis of Inventories Increase

(¥ billion)

B/S	FY2014 year-end	FY2015 year-end	YoY	Impact of volume change	Impact of crude drug prices	Impact of exchange rate	Other
Inventories	50.7	52.3	1.6	-1.7	4.4	-0.7	-0.2
(Merchandise and finished goods)	8.8	8.4	-0.4	-0.5	0.2	—	-0.1
(Work in process)	13.2	12.4	-0.8	-1.4	0.6	-0	0
(Raw materials and supplies)	28.5	31.4	2.9	0.2	3.6	-0.7	-0.2

Cash Flow Position



Capital Investment Plan

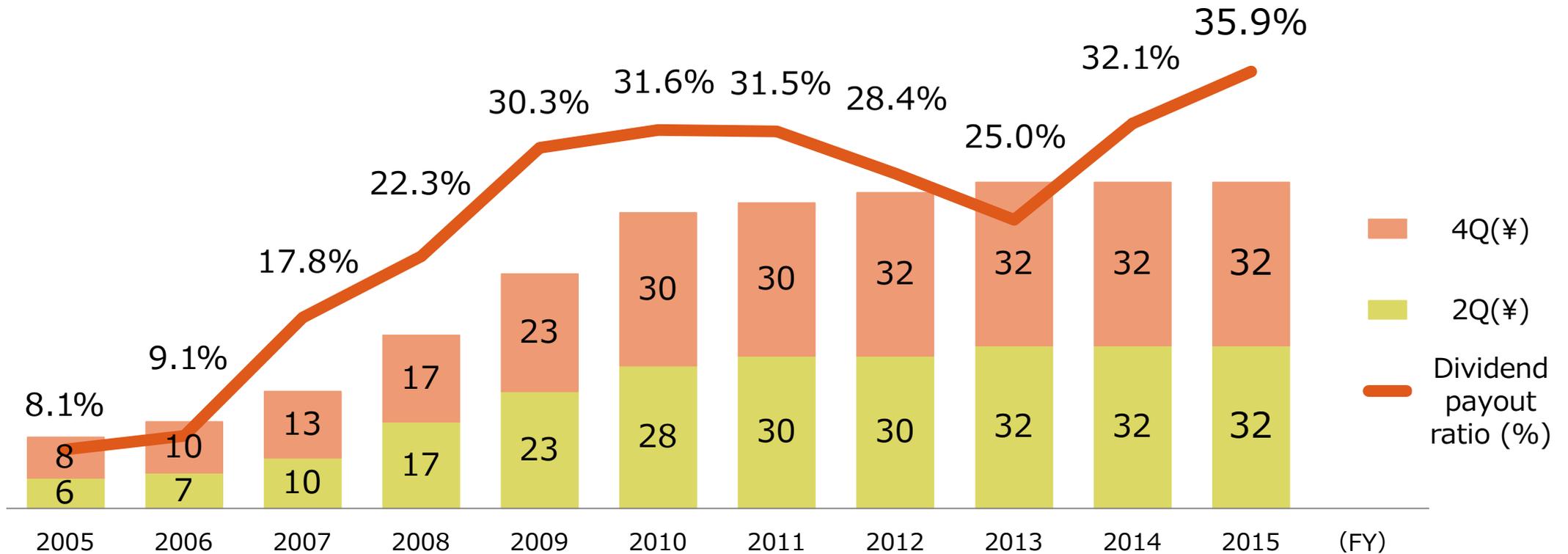
☆ Scheduled start of operations

← First Medium-Term Management Plan → ← Second Plan →

		Capital investment project	FY2012	FY2013	FY2014	FY2015	FY2016 and after
Production-related	Shizuoka Plant	New granulation and packaging facilities, etc.					September, 2016
		New crude drug warehouse		May			
		SD line-related					☆
	Ibaraki Plant	New granulation facility		February		February (Additional)	
		New standard-based facilities, etc.					☆
	STP (Shanghai)	SD facility		October			
	Production, other	Development / maintenance / renewal	→				
Crude drug related	Ishioka	Ishioka Center reconstruction		January			
	STM (Shenzhen)	Warehouse	March				
	Yubari	Yubari Tsumura building				September (Phase 2)	
	Crude drugs, etc.	Maintenance / renewal	→				

Capital investment : FY2012 ¥9.5 billion, FY2013 ¥9.2 billion, FY2014 ¥9.7 billion **FY2015 ¥10.4 billion**
 ✓ Will appropriately revise timing of new production facilities start up based on sales trends

Return of Profits to Shareholders



The year-end dividend and dividend payout ratio for FY2015 are based on the assumption that the dividend item will be approved at the 80th annual shareholders' meeting



FY2016 Performance Forecasts

FY 2016 Performance Forecasts

(¥ million)

	FY 2015	FY 2016	YoY	
			Amount	Change
Net Sales	112,625	115,400	2,774	2.5%
Cost of sales Cost of sales margin	45,055 (40.0%)	50,700 (43.9%)	5,644	12.5%
Gross profit Gross profit margin	67,569 (60.0%)	64,700 (56.1%)	-2,869	-4.2%
SG&A expenses SG&A expenses margin	47,743 (42.4%)	50,200 (43.5%)	2,456	5.1%
Operating profit Operating profit margin	19,826 (17.6%)	14,500 (12.6%)	-5,326	-26.9%
Ordinary income	19,494	15,000	-4,494	-23.1%
Net income attributable to owners of parent	12,557	10,700	-1,857	-14.8%
Dividends per share	¥64	¥64		
E P S	¥178	¥152		
R O E	8.3%	6.9%		

- The Company estimates net sales of 115.4 billion yen (up 2.5%) taking into account increasing sales of Kampo formulation for prescription in terms of volume and NHI drug price revision.
- The Company estimates an operating profit of 14.5 billion yen (down 26.9%), a ordinary income of 15.0 billion yen (down 23.1%) and a net income attributable to owners of parent of 10.7 billion yen (down 14.8%) mainly due to the higher price of certain crude drugs and the effects of exchange rate fluctuations.
- Dividends are expected to be 32 yen per share at the midterm and 32 yen per share at term end (a full-year dividend of 64 yen per share).

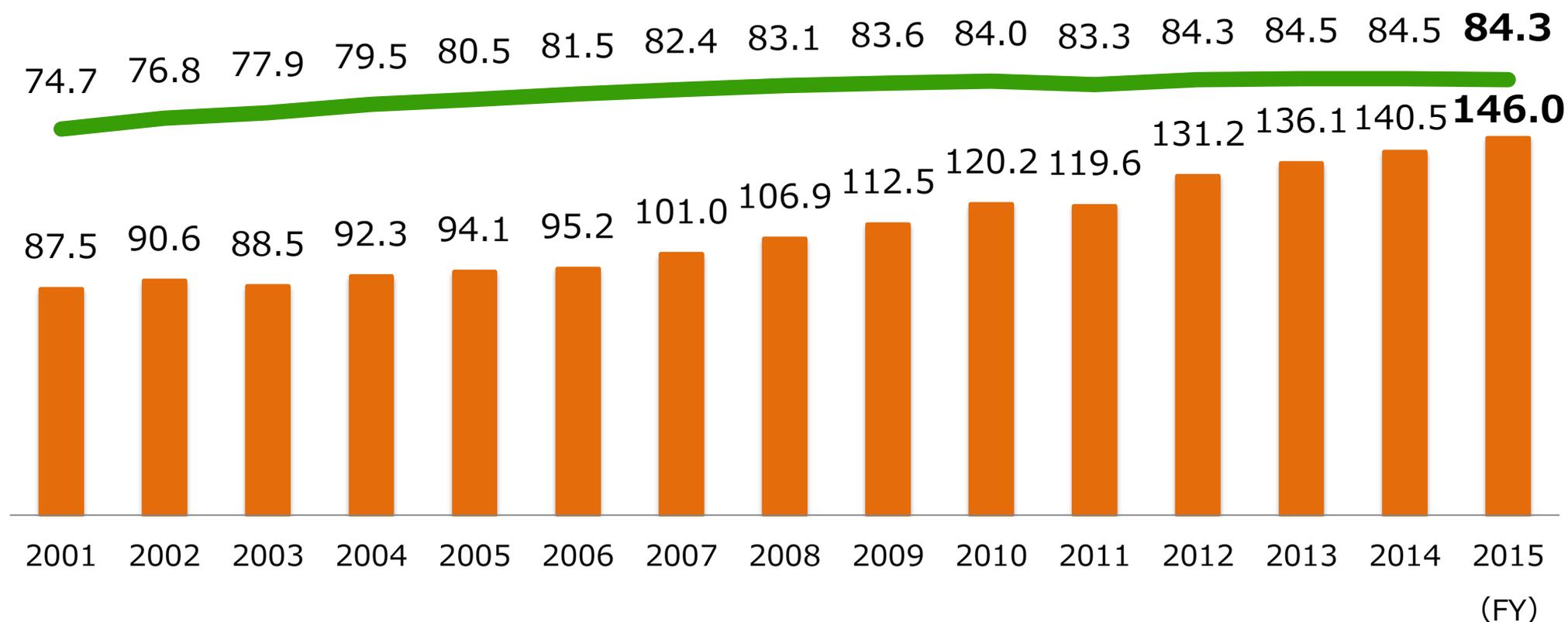


Reference Material

Prescription Kampo Product Market Trends

➤ **Size of overall prescription Kampo Product market in FY 2015 was about ¥146 billion**

— Share of Tsumura (%)
■ Over all market (¥ billion)



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Top 10 Kampo Products by Sales Amount

(¥ million)

	Product name	Main effectively treatable disorders	FY 2015	FY 2014	Y o Y Change	
1	TJ-100 (Daikenchuto)	Abdominal pain / abdominal flatulence	10,273	9,993	279	2.8%
2	TJ-54 (Yokukansan)	Neurosis / insomnia , etc.	7,215	6,895	319	4.6%
3	TJ-41 (Hochuekkito)	Reinforcement of physical strength after illness / anorexia , etc.	6,968	6,965	3	0.1%
4	TJ-43 (Rikkunshito)	Gastritis / maldigestion / anorexia , etc.	6,604	6,633	-29	-0.4%
5	TJ-68 (Shakuyakukanzoto)	Pain accompanying sudden muscle spasms , etc.	4,688	4,440	247	5.6%
6	TJ-29 (Bakumondoto)	Coughing / bronchitis / bronchial asthma	4,494	4,178	316	7.6%
7	TJ-24 (Kamishoyosan)	Oversensitivity to cold / menstrual irregularity / climacteric disturbance , etc.	4,465	4,285	179	4.2%
8	TJ-107 (Goshajinkigan)	Leg pain /low back pain / numbness / dysuria , etc.	3,838	3,814	23	0.6%
9	TJ-114 (Saireito)	Acute gastroenteritis / swelling (edema) , etc.	3,351	3,308	42	1.3%
10	TJ-1 (Kakkonto)	Common cold / coryza / shoulder stiffness , etc.	3,253	2,986	267	9.0%
20	TJ-14 (Hangeshashinto)	Fermentative diarrhea / neurotic gastritis / stomatitis , etc.	1,250	1,230	20	1.7%
Total sales of 129 prescription Kampo products			107,599	105,193	2,405	2.3%
Total sales of five“ Drug Fostering Program” formulations			29,182	28,568	613	2.1%

“ Drug Fostering Program” formulations



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Cautionary items regarding forecasts

- The materials and information provided in this presentation contain so-called forward-looking statements. Readers should be aware that realization of these statements can be affected by a variety of risks and uncertainties and that actual results could differ significantly.
- Changes in the healthcare insurance systems or regulations set by medical treatment authorities on drug prices or other aspects of healthcare or in interest and foreign exchange rates could impact negatively on the Company's performance or financial position.
- In the unlikely event that sales of the Company's core products were halted or declined substantially due to a defect, unforeseen side effect or some other factor, it would have a major impact on the Company's performance or financial position.